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| NPRR Number | [1124](https://www.ercot.com/mktrules/issues/NPRR1124) | NPRR Title | Recovering Actual Fuel Costs through RUC Guarantee |
| Date of Decision | | April 28, 2022 | |
| Action | | Recommended Approval | |
| Timeline | | Urgent – Urgent status is necessary to ensure Generation Resources are made whole to their actual fuel costs when they receive a Reliability Unit Commitment (RUC) instruction. | |
| Proposed Effective Date | | Following Public Utility Commission of Texas (PUCT) Approval - May 13, 2022 | |
| Priority and Rank Assigned | | Not Applicable | |
| Nodal Protocol Sections Requiring Revision | | 9.14.7, Disputes for RUC Make-Whole Payment for Fuel Costs | |
| Related Documents Requiring Revision/Related Revision Requests | | None | |
| Revision Description | | This Nodal Protocol Revision Request (NPRR) proposes a change to ensure Generation Resources recover their actual fuel costs when instructed to start due to a RUC. Specifically, this NPRR recommends that the Startup Price per start (SUPR) and the Minimum-Energy Price (MEPR), as defined in paragraph (6) of Section 5.7.1.1, RUC Guarantee, will be set to the Startup Cap (SUCAP) and the Minimum-Energy Cap (MECAP), respectively, utilizing the actual approved fuel price paid. | |
| Reason for Revision | | Addresses current operational issues.  Meets Strategic goals (tied to the [ERCOT Strategic Plan](http://www.ercot.com/content/wcm/lists/144926/ERCOT_Strategic_Plan_2019-2023.pdf) or directed by the ERCOT Board).  Market efficiencies or enhancements  Administrative  Regulatory requirements  Other: (explain)  *(please select all that apply)* | |
| Business Case | | Section 9.14.7 allows a Qualified Scheduling Entity (QSE) for a Generation Resource to file a dispute to recover its actual Startup and Minimum Energy fuel costs for natural gas or fuel oil consumed due to a RUC. Currently, the SUPR used in determining the RUC Guarantee is calculated as the minimum of the Startup Offer per start (SUO) and SUCAP. Similarly, the MEPR is calculated as the minimum of the Minimum-Energy Offer (MEO) and MECAP. The SUO and the MEO submitted in the Day-Ahead Market (DAM) are capped by 200% of the SUCAP and MECAP, respectively. In both cases, the SUCAP and MECAP use the Fuel Index Price (FIP) or Fuel Oil Price (FOP) available during the DAM as proxy fuel costs. The SUCAP and MECAP do not consider actual fuel costs incurred when a Resource owner has to purchase fuel intraday or same day to comply with the RUC instruction. Therefore, the QSE representing a Resource may not be able to reflect actual fuel costs incurred in both the SUO and MEO since these are capped by the SUCAP and MECAP, respectively.  Given that the RUC Guarantee is determined using the minimum of the offers and costs as described above, and that the offers may not reflect actual fuel cost incurred, Generation Resources might not be able to recover their actual fuel costs, even when the Resource’s actual fuel costs are approved under Section 9.14.7. Hence, by setting the SUPR and MEPR to the SUCAP and MECAP, respectively, utilizing actual approved fuel prices, Generation Resources should be able to recover fuel costs to Start and operate the Resource at the minimum energy level. | |
| Credit Work Group Review | | ERCOT Credit Staff and the Credit Work Group (Credit WG) have reviewed NPRR1124 and do not believe that it requires changes to credit monitoring activity or the calculation of liability | |
| PRS Decision | | On 4/6/22, PRS voted via roll call to grant NPRR1124 Urgent status; to recommend approval of NPRR1124 as submitted; and to forward to TAC NPRR1124 and the Impact Analysis. There were three opposing votes from the Consumer (Occidental, City of Eastland, Residential Consumer) Market Segment, and four abstentions from the Cooperative (Fayette), Independent Generator (Enel Green Power), Independent Power Marketer (IPM) (Tenaska), and Municipal (Kerrville PUB) Market Segments. All Market Segments participated in the vote. | |
| Summary of PRS Discussion | | On 4/6/22, ERCOT Staff presented NPRR1124 and sample generic calculations submitted as part of the 4/1/22 ERCOT comments. Participants reviewed other comments to NPRR1124, and debated whether Urgent status was necessary and whether NPRR1124 should be tabled for further discussion. | |
| TAC Decision | | On 4/13/22, TAC voted via roll call to recommend approval of NPRR1124 as recommended by PRS in the 4/6/22 PRS Report with a recommended effective date of following PUCT approval – May 13, 2022. There were six opposing votes from the Consumer (City of Eastland, City of Dallas, CMC Steel Texas, Air Liquide, Residential, OPUC) Market Segment. All Market Segments participated in the vote. | |
| Summary of TAC Discussion | | On 4/13/22, some participants expressed concern for potential impacts to Entities as a result of contract disputes. | |
| ERCOT Opinion | | ERCOT supports approval of NPRR1124. | |
| ERCOT Market Impact Statement | | ERCOT Staff has reviewed NPRR1124 and believes the market impact for NPRR1124 will be to allow Generation Resources to recover fuel costs to Start and operate the Resource at the minimum energy level by setting the SUPR and MEPR to the SUCAP and MECAP, respectively, utilizing actual approved fuel prices. | |
| ERCOT Board Decision | | On 4/28/22, the ERCOT Board voted to recommend approval of NPRR1124 as recommended by TAC in the 4/13/22 TAC Report. There was one opposing vote. | |

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| Sponsor | |
| Name | Ino Gonzalez |
| E-mail Address | [Ino.Gonzalez@ercot.com](mailto:Ino.Gonzalez@ercot.com) |
| Company | ERCOT |
| Phone Number | 512-248-3954 |
| Cell Number |  |
| Market Segment | Not Applicable |

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| **Market Rules Staff Contact** | |
| **Name** | Brittney Albracht |
| **E-Mail Address** | [Brittney.Albracht@ercot.com](mailto:Brittney.Albracht@ercot.com) |
| **Phone Number** | 512-225-7027 |

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| **Comments Received** | |
| Comment Author | **Comment Summary** |
| Luminant 032322 | Offered additional language to ensure Generation Resources recover actual fuel costs when instructed to start due to a RUC; ensure Generation Resources can represent actual costs in the market; and to change the RUC Make-Whole and QSE Clawback Interval calculations to provide a 10% adder to a RUC-committed Resource’s costs to compensate the Resource for operational wear and tear caused by using the Resource for reliability |
| ERCOT 040122 | Offered further explanation for NPRR1124; responded to the 3/23/22 Luminant comments |
| Residential Consumer 040422 | Opposed NPRR1124; stated that existing Protocols address issues contemplated in NPRR1124, and that contractual disputes do not justify Protocol modification |

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| **Market Rules Notes** |

None

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| Proposed Protocol Language Revision |

9.14.7 Disputes for RUC Make-Whole Payment for Fuel Costs

(1) If the actual price paid for delivered natural gas for a specific Resource during a Reliability Unit Commitment (RUC)-Committed Interval is greater than Fuel Index Price (FIP) adjusted by the proxy fuel adder, X, defined in the Verifiable Cost Manual (i.e., FIP \* (1+X)), then the QSE may file a Settlement dispute for that Resource’s RUC Make-Whole Payment. The maximum amount that may be recovered through this dispute process is the difference between the RUC Guarantee based on the actual price paid and the fuel price of FIP \* (1+X). The QSE must provide documentation (invoices) that identifies intra-day costs of natural gas consumed during the RUC-Committed Interval. Such documentation is necessary to justify recovery of natural gas costs, which is limited to the actual fuel amount (MMBtus) consumed during RUC-Committed Intervals. All documentation submitted by the QSE for natural gas costs incurred intra-day must show a nexus from the seller or distributor of natural gas products to the QSE, Resource Entity or Generation Entity as the ultimate buyer. The QSE must demonstrate that the seller or distributor has procured natural gas fuel intra-day. A Power Purchase or Tolling Agreement (PPA) filed as documentation of proof of fuel costs will not be accepted unless the PPA was signed prior to July 16, 2008, and is not between Affiliates, subsidiaries, or partners.

(2) If the actual price paid for the delivered fuel oil used to replace oil consumed during a RUC-Committed Interval is greater than Fuel Oil Price (FOP) adjusted by the proxy fuel adder, X, defined in the Verifiable Cost Manual (i.e., FOP \* (1+X)), then the QSE may file a Settlement dispute for the Resource’s RUC Make-Whole Payment. The maximum amount that may be recovered through this dispute process is the difference between the RUC Guarantee based on the actual price paid and the adjusted price, FOP \* (1+X).

(3) If the QSE representing the Generation Resource made a Three-Part Supply Offer into the DAM based on FIP and had to run on fuel oil in a RUC-Committed Hour with an active Three-Part Supply Offer based on the adjusted FIP, the QSE may file a Settlement dispute to recover the difference between the RUC Guarantee based actual price paid for delivered fuel oil and the fuel price of FIP \* (1+X).

(4) When filing a Settlement dispute under paragraph (2) or (3) above, the QSE must provide documentation (invoices) that identifies purchases of fuel oil by the QSE, Resource Entity, or Generation Entity to replace oil consumed for a RUC-Committed Interval. In addition, the QSE must provide proof that the Resource actually consumed fuel oil during the RUC-Committed Interval. Proof of actual consumption may be based on the Resource’s technical specifications or flow meters as appropriate. Documentation of fuel oil purchases must show that these were made no later than seven Business Days after the end of the last consecutive RUC-Committed Interval. Replacement fuel oil costs are limited to the actual gallons/barrels of fuel oil consumed during RUC-Committed Intervals.

(5) ERCOT may, in its sole discretion, consider documentation types other than those specifically listed in paragraphs (1) and (4) above when offered by a QSE in support of its recovery of fuel costs for RUC deployments.

(6) When calculating the RUC Guarantee as described in paragraph (1), (2) or (3) above, the Startup Price per start (SUPR) and the Minimum-Energy Price (MEPR), as defined in paragraph (6) of Section 5.7.1.1, RUC Guarantee, will be set to the Startup Cap (SUCAP) and Minimum-Energy Cap (MECAP), respectively, utilizing the actual fuel price paid.